



BellSouth Telecommunications, Inc.  
Suite 2101  
333 Commerce Street  
Nashville, Tennessee 37201-3300

615 214-6301  
Fax 615 214-7406

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Guy M. Hicks  
General Counsel

EXECUTIVE SECRETARY

January 31, 2000

Mr. David Waddell  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37238

Re: *Petition to Convene a Contested Case Proceeding to Establish  
"Permanent Prices" for Interconnection and Unbundled Network  
Elements, Docket No. 97-01262*

Dear Mr. Waddell:

BellSouth is in receipt of AT&T's January 20, 2000 comments on BellSouth's revised cost studies. Because the notice issued by the Prehearing Officer in this matter did not set forth a schedule for the filing of reply comments, BellSouth will not endeavor to respond to each of AT&T's arguments. However, BellSouth cannot let go unanswered AT&T's unfounded accusations that "BellSouth has not complied with the orders of the TRA." The revised cost studies filed by BellSouth comply fully with the TRA's orders and reflect the TRA's decisions in its November 3, 1999 Order, notwithstanding AT&T's claims to the contrary and notwithstanding BellSouth's disagreement with some of those decisions.

As BellSouth predicted, AT&T has used its comments as an opportunity to propose further adjustments to BellSouth's cost studies. According to AT&T, these additional adjustments would result in the forward-looking "cost" of a two-wire loop in Tennessee being slightly more than \$11.00. Putting aside serious questions about the propriety of these adjustments or the methodology AT&T used to quantify their effect, it is impossible to reconcile such an absurdly low loop cost with the forward-looking cost of a two-wire loop in Tennessee as determined by AT&T's own Hatfield Model.

In this proceeding, AT&T has consistently held out the Hatfield Model as the "most current and accurate means" of calculating the forward-looking cost of

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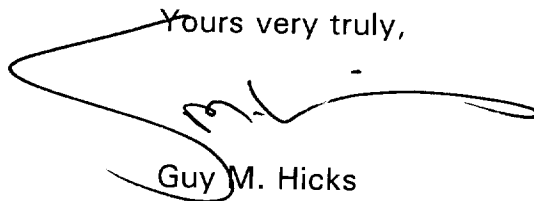
Mr. David Waddell  
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unbundled network elements. AT&T's Post-Hearing Brief at 1. According to AT&T, the Hatfield Model generates "forward-looking prices for unbundled network elements reflecting the costs that an efficient provider in a competitive environment would incur to provide telecommunications services in the Tennessee market." AT&T Post-Hearing Brief at 42.

If AT&T's representations about the Hatfield Model are correct, it should cost an efficient provider in a competitive market at least \$16.12 per month to provide a loop in Tennessee, based upon AT&T's own calculations. With the adjustments ordered by the TRA, this cost actually should be \$17.00. However, under no circumstances, should the forward-looking cost of a two-wire loop in Tennessee be as low as \$11.05 (or even \$14.92, which is the cost derived from the TRA's adjustments to BellSouth's cost studies). In advocating a loop cost that is approximately 55 percent lower than the cost generated by its own cost model, AT&T is simply attempting to artificially reduce the forward-looking "cost" of a loop in Tennessee without regard to the facts or logic – a result this Authority should not condone.

BellSouth appreciates the opportunity to express its views on this issue. Please let me know if you have any questions or need additional information.

Yours very truly,

A handwritten signature in black ink, appearing to read "Guy M. Hicks", with a large, sweeping initial stroke.

Guy M. Hicks

cc: The Honorable Lynn Greer, Hearing Officer  
Parties of record

195159

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CERTIFICATE OF SERVICE

I hereby certify that on January 31, 2000, a copy of the foregoing document was served on the parties of record as indicated:

☒ Hand  
☐ Mail  
☐ Facsimile  
☐ Overnight

Richard Collier, Esquire  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0500

☐ Hand  
☒ Mail  
☐ Facsimile  
☐ Overnight

Henry Walker, Esquire  
Boult, Cummings, et al.  
414 Union Ave., #1600  
P. O. Box 198062  
Nashville, TN 39219-8062

☐ Hand  
☒ Mail  
☐ Facsimile  
☐ Overnight

Dana Shaffer, Esquire  
NEXTLINK  
105 Malloy Street, #300  
Nashville, TN 37201

☐ Hand  
☒ Mail  
☐ Facsimile  
☐ Overnight

Erick Soriano  
Kelley, Drye & Warren  
1200 19th St., NW, #500  
Washington, DC 20036

☐ Hand  
☒ Mail  
☐ Facsimile  
☐ Overnight

James Wright, Esq.  
United Telephone - Southeast  
14111 Capitol Blvd.  
Wake Forest, NC 27587

☐ Hand  
☒ Mail  
☐ Facsimile  
☐ Overnight

Jon Hastings, Esquire  
Boult, Cummings, et al.  
414 Union St., #1600  
Nashville, TN 37219

☐ Hand  
☒ Mail  
☐ Facsimile  
☐ Overnight

Val Sanford, Esquire  
Gullett, Sanford, Robinson & Martin  
230 Fourth Ave., N., 3d Fl.  
Nashville, TN 37219-8888

☐ Hand  
☒ Mail  
☐ Facsimile  
☐ Overnight

Vincent Williams, Esquire  
Office of the Attorney General  
Consumer Advocate Division  
426 Fifth Ave., N., 2nd Fl.  
Nashville, TN 37243-0500

☐ Hand  
☒ Mail  
☐ Facsimile  
☐ Overnight

Don Baltimore, Esquire  
Farrar & Bates  
211 Seventh Ave., N., #320  
Nashville, TN 37219-1823

☐ Hand  
☒ Mail  
☐ Facsimile  
☐ Overnight

Charles B. Welch, Esquire  
Farris, Mathews, et al.  
205 Capitol Blvd, #303  
Nashville, TN 37219

☐ Hand  
☒ Mail  
☐ Facsimile  
☐ Overnight

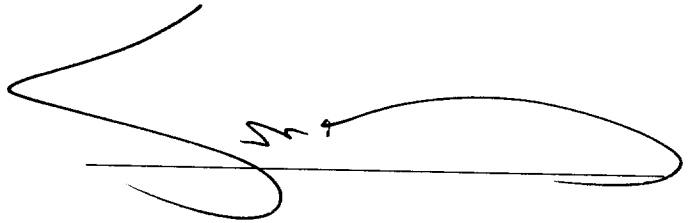
Kenneth Bryant, Esquire  
Trabue, Sturdivant & DeWitt  
511 Union St., #2500  
Nashville, TN 37219-1738

☐ Hand  
☒ Mail  
☐ Facsimile  
☐ Overnight

William C. Carriger, Esquire  
Strang, Fletcher, et al.  
One Union Square, #400  
Chattanooga, TN 37402

☐ Hand  
☒ Mail  
☐ Facsimile  
☐ Overnight

James P. Lamoureux  
AT&T  
1200 Peachtree St., NE, #4068  
Atlanta, GA 30367

A handwritten signature in black ink, featuring a large, stylized 'S' or 'J' shape followed by a horizontal line and a small flourish.